

2011

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Highlights of 2011 Income Tax Law Changes

Individual and Business



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Roth IRAs

In 2011, include half of income from a
2010 Roth conversion or rollover

Possible income acceleration from 2012
for Roth IRA distribution



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Designated Roth Accounts

In 2011, include half of income from a 2010 rollover to designated Roth account in same plan

Possible income acceleration from 2012 for designated Roth account distribution

Participants in governmental 457(b) plans can treat elective deferrals as Roth contributions



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Qualified Charitable Distributions

Exclusion for qualified charitable
distributions extends through 2011

Can elect to treat a QCD made in January
2011 as a 2010 distribution



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Medical Expenses

Distributions from HSAs and Archer MSAs not used for qualified medical expenses: tax increases to 20 percent

For HSAs, Archer MSAs, FSAs, and HRAs: medicine or drug is a qualified medical expense only if a prescribed drug or insulin

Breast pumps: qualified medical expenses



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Stock Transactions

Revised Form 1099-B

New Form 8949, Sales and Other
Dispositions of Capital Assets

- Filed with Schedule D
- Includes information previously on
Schedule D
- Replaces Schedule D-1

Schedule D now a summary schedule



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Form 1099-B

Includes basis information

New boxes for date of acquisition, cost, loss disallowed due to wash sale, non-covered security, description, and whether short-term or long-term gain



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Form 8949

May need multiple Forms 8949

No gain or loss figured per transaction
– totals carried to Schedule D



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Schedule D (Form 1040)

Summarizes Forms 8949

Gain and loss figured once, based on
totals from Form 8949

Page 2 of schedule does not change



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Basis of Assets From a Decedent

Fair market value of basis for assets
acquired from a decedent (section
1014) reinstated for 2011

Non-elective in 2011

Elective in 2010



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Alternative Minimum Tax

Exemption amount increased in 2011

- \$48,450 if single or head of household
- \$74,450 if married filing jointly or a surviving spouse
- \$37,225 if married filing separately

Non-refundable personal credits allowed



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Non-Business Energy Property Credit

Credit reduced to 10 percent of
qualifying expenses

Credit limited to \$500 for all years after
2005

Combined credit limit of \$200 for
windows for all tax years after 2005

Maximum credit for residential energy
property limited to specific dollar
amounts

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Repayment of First-Time Homebuyer Credit

Do not need to attach Form 5405 to
return just to report repayment of 1/15
of 2008 credit

Attach Form 5405 only for year in which
reporting disposition or change in use
of main home for which credit claimed

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Claiming the Earned Income Credit

Any paid tax preparer must complete
Form 8867, Paid Preparer's Earned
Income Credit Checklist

Taxpayer must attach Form 8867 to
taxpayer's tax return



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Form 1099-K Merchant Card Reporting

Filed by payment settlement entity
(PSE)

Must be filed by electronic payment
facilitator or third party payer
paying on behalf of PSE

Report merchant card payments and
third party network payments



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Form 1099-K (cont'd)

Forms revised to report merchant card payments

- Schedules C, E and F (Form 1040)
- Form 1065
- Form 1120 and Form 1120S

Report even if no Form 1099-K received



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Form 8938, Statement of Foreign Financial Assets

Must file to report foreign financial assets of more than \$50,000

Applies to individuals and domestic entities formed or availed of to hold foreign financial assets



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Form W-2

No advance earned income credit

Code changes for box 12:

- Code DD, Cost of health care – optional in 2011; amount not included in taxable income
- Code EE, Roth 457(b) accounts
- Code CC, HIRE wages, eliminated

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Form W-3

Area added to report “Kind of Employer”
– check the appropriate employer box
or “None” if no category applies

Box 9, for advance earned income credit,
shaded

Box 12b, used for HIRE wages, shaded



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Social Security Tax

Employee share reduced 2 percentage points, to 4.2 percent

Schedule SE (Form 1040) revised



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Expired Provisions: Individuals

Making work pay credit

Exclusion from income of benefits
provided to volunteer firefighters and
emergency medical responders

Computer technology and equipment
allowed as qualified higher education
expenses for qualified tuition programs

Exemption from AMT treatment for
certain tax-exempt bonds

Advance earned income credit



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New Hire Retention Credit

Credit of up to \$1,000 per employee

Available for qualified employees hired after
Feb. 3, 2010, and before Jan. 1, 2011

Employee must have worked 52 weeks

Wages in second 26 weeks must have been
at least 80 percent of wages in first 26
weeks

Use Form 5884-B, New Hire Retention
Credit



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Vehicle Credits

Taxpayer must supply VIN

Applies to:

- Form 8834, Qualified Plug-in Electric and Electric Vehicle Credit
- Form 8910, Alternative Motor Vehicle Credit
- Form 8936, Qualified Plug-in Electric Drive Motor Vehicle Credit



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Other Credits

Tax credit bond credits - Form 1097-BTC reports credit amounts and credit entitlement dates

Form 8912 revised - New Part III for amounts from Form 1097-BTC

Health care tax credit reduced to 65 percent beginning in March (may be extended)



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Penalties Increased

Apply to failure to file or filing incorrect information returns

\$100 maximum penalty per return

\$1.5 million maximum penalty per taxpayer

Graduated lower penalties for failure to furnish any, or correct, payee statement

\$250 minimum penalty - intentional disregard



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Electronic Deposits

Form 8109 obsolete

Must use electronic funds transfer for all federal tax deposits

Can use Electronic Funds Tax Payment System or your own tax professional, financial institution, payroll service, or other trusted third party



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Electronic Deposits (cont'd)

For EFTPS, on-time if initiated by 8 p.m. the night before; other third parties may have other rules

Same day payment option with Federal Tax Application – apply before you need it

Use business day, not banking day – any day other than Saturday, Sunday, or legal holiday in the District of Columbia



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E-file Mandate

Returns filed in **calendar year 2011**, must e-file if prepare 100 or more returns

Returns filed for **tax year 2011** in calendar year 2012, must e-file if prepare 11 or more returns

Applies to individual, trust, and estate returns



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Form 3800

New Part III replaces old lines 1 and 29.

May need multiple Parts III

All general business credit carryovers
and passive activity limits reported on
Form 3800



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Form 8809

Filers with more than one payer will be required to file for an extension of time using the Filing Information Returns Electronically (FIRE) System

Cannot use Form 8809

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Change of Address

Form 8822-B - Change of address for a business

Form 8822 used only for individuals



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Partnership Changes

Schedule B - asks for information on number of partners and whether RP 84-35 satisfied
- minimize notices

Schedule L - asks for separate information on loans to and from partners



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Form 1120

Expanded Schedule J into Part I (Tax Computation) and Part II (Payments and Refundable Credits)



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Form 2290

Scheduled to expire on September 30
Proposal to change filing period to
November 1 through November 30



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Expired Provisions: Businesses

Alternative motor vehicle credit for
following vehicles purchased after
2010

- Advanced lean burn technology vehicles
- Qualified hybrid vehicles weighing 8,500 pounds or less
- Qualified alternative fuel vehicles



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IRS.gov Update

New product pages for individual forms

Has form, other information, including
links to updates

More forms added constantly

Example – www.irs.gov/Form1040



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Resources

Draft 2011 forms:

www.irs.gov/draftforms

Final 2011 forms:

www.irs.gov/formspubs

Changes to Current Tax Products:

www.irs.gov/formspubs

Legislation: thomas.loc.gov

E-mail: taxforms@irs.gov

